

# The ABC's of California

## Payroll Taxes

What Every  
New Employer  
Needs To Know



[www.edd.ca.gov](http://www.edd.ca.gov)



## WHAT IS A CALIFORNIA EMPLOYER RESPONSIBLE FOR?

You are a California employer when you pay wages in excess of \$100 in a calendar quarter.

### ► REGISTERING WITH EDD

EDD will assign you an employer account number.

### ► REPORTING

Employers must report employee wage and withholding information quarterly.

Employers must report all new employees to the New Employee Registry within 20 days of their start-of-work date.

Businesses and government entities must report all independent contractors for whom a federal Form 1099-MISC is required to EDD within 20 days of paying or entering into a contract for \$600 or more.

### ► PAYING PAYROLL TAXES

Employers pay:



- **Unemployment Insurance (UI) Taxes**
- **Employment Training Taxes (ETT)**

(Taxes are due quarterly but may be paid more frequently.)

Employers withhold from the employee's paycheck:

- **State Disability Insurance (SDI)**
- **State Personal Income Tax (PIT)**

(State tax withholding deposits are due in accordance with federal deposit requirements.)



## How will I know what amounts to withhold from my employee's paycheck?

EDD will send you the *California Employer's Guide* (DE 44) with the current PIT withholding schedules and SDI tax rate. Each December, EDD will send you the next year's schedules and tax rates.

## EDD REPORTING FORMS YOU WILL USE:

***Registration Form For Commercial Employers (DE 1)-*** used to obtain an EDD employer account number. This number should be used whenever you contact EDD and on all EDD payroll tax documents.

***Quarterly Wage And Withholding Report (DE 6)-*** used to report wages paid to your employees and the California Personal Income Tax withheld each quarter. It is automatically sent to you each quarter.

***Annual Reconciliation Statement (DE 7)-*** used to reconcile the total employee wages you reported that are subject to taxes with the amounts you paid throughout the year. It is sent to you at the end of each year.

***Payroll Tax Deposit (DE 88)-*** used to pay employer taxes and withholding deposits from employees. A preprinted booklet and envelopes will be sent to you about four weeks after you register with EDD.

***Report of New Employee(s) (DE 34)-*** used to report new employees to the New Employee Registry. You must request DE 34 forms from EDD.

***Report of Independent Contractor(s) (DE 542)-*** used to report independent contractors for whom a federal Form 1099-MISC will be filed.



**Note:** Instructions are provided with each form. To request forms and publications, call our Customer Service Office at (888) 745-3886 or visit our Web site at [www.edd.ca.gov](http://www.edd.ca.gov).

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### DID YOU KNOW?

Employers are required to post the *Notice to Employees* received in the new employer package to notify employees of their UI and/or SDI benefits. The poster must be placed in a clearly visible location at the workplace. Each new hire must be provided the booklet *For Your Benefit* (DE 2320) about the unemployment and disability insurance programs. These items are included in the new employer package sent to you after you register as an employer with EDD.

### PREFER TO GET YOUR INFORMATION FROM THE INTERNET?

EDD's Web site ([www.edd.ca.gov](http://www.edd.ca.gov)) has information on EDD's many services and programs. You will also have access to forms, publications, and Employment Tax Customer Service Office assistance.

### DID YOU PURCHASE A BUSINESS?

If you purchased all or part of an ongoing business, you may request to have the previous owner's UI reserve account balance transferred to the new business. This could result in your UI tax rate being lower than the new employer rate of 3.4 percent. To find out if this applies to you, call (916) 653-7795.

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### Easy Filing And Payment Options



#### TELEFILE

Allows you to make your tax deposits and file employee wage and withholding reports using your telephone. Telefile is ideal for reporting a small number of employees.

**For information, call: (800) 796-3524**

#### ELECTRONIC FUNDS TRANSFER (EFT)

Allows you to pay your payroll taxes and withholding deposits by telephone. You authorize payments to be made directly from your bank account.

**For information, call: (916) 654-9130**

#### STILL NOT SURE WHAT TO DO?

Attend one of our basic payroll tax seminars, where we will walk you through the reporting process and answer all of your questions. If a seminar is not convenient for you, one of our customer service representatives can visit you at your convenience.

**Customer Service:** (888) 745-3886

**Internet:** [www.edd.ca.gov](http://www.edd.ca.gov)